

COLORADO BUSINESS REVIEW

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Photo courtesy of Larry Pierce

Western Slope Economy

Brooke Fox

The Western Slope of Colorado represents 38% of the state's total square miles, yet only one-tenth (10.7%) of its population. This definition of the Western Slope is based on that used by CLUB 20. It varies slightly from the State Demography Office's definition in that it includes Lake County. Comprising the counties of Archuleta, Delta, Dolores, Eagle, Garfield, Grand, Gunnison, Hinsdale, Jackson, La Plata, Lake, Mesa, Moffat, Montezuma, Montrose, Ouray, Pitkin, Rio Blanco, Routt, San Juan, San Miguel, and Summit, the population of the Western Slope totaled 563,138 in July 2013, a 0.6% increase over July 2012. Compared to the state as a whole, the Western Slope's population growth is consistently low, decreasing at a compound annual growth rate of -4.4% over the last three years. The state as a whole grew 1.5% on average during the same period.

According to data published by the State Demography Office, the Western Slope county with the fastest annual population growth in 2013 was La Plata (1.95%). Summit trailed closely behind, rising by 1.75%, followed by Dolores with an annual growth rate of 1.3%% and Jackson with 1.2%. The three counties with the slowest population growth rates were Delta (-0.43%), Rio Blanco (-0.34%) and Mesa (-0.1%). The fast-growing city of Durango helped expand La Plata County's total population, increasing by 2.6% year-over-year in July 2013 (most recent data available). Other notable cities with positive contributions include Breckenridge (3.1%), Glenwood Springs (1.7%), Crested Butte (1%), Vail (0.9%), Aspen (0.9%), Steamboat Springs (0.8%), and Grand Junction (0.5%). Paonia's population climbed 10.2% in July 2013, adding 145 people to its population of 1,420.

The Western Slope represents 11% of total employment in the state, with 261,008 covered employees in March 2014. In March 2014,

employment grew 2.4% year-over-year. Over the last decade, growth in employment across the Western Slope has been consistent with that of the state, which rose by 2.6% year-over-year and 0.2% month-over-month in March 2014. The Eastern part of the state (excluding Western Slope counties) increased 3.2% and 0.7%, respectively, in the same time periods.

The industries employing the most people on the Western Slope are (in order) Government, Accommodation and Food Services, Retail Trade, Health Care and Social Assistance, and Construction. These five industries account for 63.6% of total Western Slope employment. In the state as a whole, the top five industries employ 56.3% of total state employment.

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From the Editor

This issue of the *CBR* highlights the economy of the Western Slope, which comprises 22 counties in Western Colorado. The region represents 38% of the state's total square miles, yet only one-tenth of its population. This region represents some of the most sought after tourist sites in the state, including premier ski resorts, national monuments, and parks. The area is also a draw for entrepreneurs and retirees, and plays host to long-standing extraction and agriculture industries, as well as new tech startups.

The issue provides insight into the region's economy, focusing on key industries and unique challenges facing Western Slope communities. Please contact me at 303-492-1147 with questions or comments.

Richard Wobbekind

CLUB 20—Western Colorado Overview

Bonnie Petersen

CLUB 20 is a coalition of businesses, individuals, tribes, and local governments that was created more than six decades ago. The organization develops policy positions that promote and protect Western Colorado, which includes the 20 counties that lie on the West Slope of the Continental Divide, along with two counties on top of the Continental Divide.

Many don't realize that while Western Colorado makes up slightly less than 40% of the total land mass of the state, 70% of the West Slope is managed by federal government agencies. Since the first settlers came to Western Colorado, there has been a unique and important relationship between West Slope communities and public lands; much of the economic activity in the region is driven by those lands.

The federal multiple-use directives for public lands are key to the survival of many communities and the long-term economic well-being of the region. Multiple-use directives maintain that public lands be open to many uses, including agriculture, recreation, timber harvesting, natural resource development, hunting, water development, and tourism. Ranchers graze livestock on public lands to supplement private land; ski areas develop water for snowmaking; municipalities develop water for municipal and industrial use; and hunters and fishers count on lands, streams, and lakes for their sport. Natural resource development and timber harvests provide needed forest management and resources, such as energy from coal and natural gas, for areas throughout the country. Resources available to develop include more than energy. Gold, silver, molybdenum, copper, vanadium, and other elements, along with rare earth minerals needed for next-generation technology, have been found and developed in Western Colorado. It is critical that access to these lands and the public lands multiple-use platform continue to provide economic opportunity to the communities in which these lands are located. These resources and uses, responsibly developed and managed, will continue to serve Colorado well for generations to come.

Western Colorado communities have always looked for additional ways to supplement their economies. To that end, there is a substantial medical and higher education influence in many areas throughout the region. Hospitals have been working to provide additional services. Western Colorado has a number of specialists who are not available in other rural areas. For example, a doctor in Glenwood Springs uses robotic technology to perform procedures like placing stents in heart valves. That, along with the higher education opportunities in Western Colorado, create economic drivers for communities. Additionally, a fledgling group of medical manufacturers have decided to locate in the region. A number of manufacturing firms have located in West Slope communities, where they bring new technologies to the region and their employees enjoy a high quality of life. Entrepreneurs from Western Colorado have invented technologies that aid industries far and wide; the 3-D printer, invented by a West Slope entrepreneur, is one item that is impacting economic sectors worldwide.

Western Colorado is an iconic part of the state where the red canyons of the Colorado National Monument, the red rock of Red Mountain Pass, and red buttes near Durango are found—all of which surely played a role in the state being named for the color red, "Colorado." One does not have to look hard to find a place to enjoy the outdoors. One might run the Imogene Pass from Ouray to Telluride, a 17-mile run with an elevation gain of 5,000 feet; boat or fish in Blue Mesa, Colorado's largest body of water; meander down the Colorado River next to the Colorado National Monument on a raft; go fly fishing on the Frying Pan River; summit one of the West Slope "14ers"; or mountain bike in one of many spectacular vistas. While it is a beautiful place in which to work and live, communities and residents face challenges—some unique, some not so unique.

Water is the lifeblood of Western Colorado. It serves the agricultural industry, recreational and tourism industries, and other municipal and industry needs, as well as the needs of five lower-basin states. This resource




Mount Sopris near Carbondale (Photo by Casey A. Cass/University of Colorado)

needs to be managed in a fashion that does not result in a “call on the river” and does not dry up the agriculture lands in Western Colorado and degrade other key industries in the region. The Front Range is often the “gateway” to Western Colorado; degrading the experience of those who come to Colorado for recreation will negatively impact economies throughout the state.

Transportation, the issue that drove the creation of CLUB 20 in 1953, is of critical importance to the state as a whole. People from around the world visit Colorado and enjoy the state’s amenities; many visitors are drawn by attractions that are in Western Colorado. State highways and their connection to interstate highways ensure robust commerce between states and are critical to enhancing economies throughout Colorado. Given the difficult terrain across vast portions of Colorado, highway safety becomes a costly endeavor. CLUB 20 has always supported statewide measures with regard to state highways to keep the wheels of commerce running smoothly in every corner of the state.

There are few private lands from which to derive property tax support in Western Colorado, and payments in lieu of taxes (PILT) received from the federal government fall far short of covering the services provided by local governments. If all revenues from resource development remained in the communities

where resources are located, Western Colorado would be well suited to meeting the needs of those communities; the reality is that these revenues are used for the benefit of the state as a whole rather than filling the property tax gap. Coloradans are all inextricably connected in this state, and it is important that we work together to improve our collective economies and understand the unique needs of all the regions that make up “Colorful Colorado.” 

Bonnie Petersen is the Executive Director of CLUB 20. She may be contacted at bonnie@club20.org.



Chris McCroskey, co-founder of IdeaLoop, at his home office outside of Durango. (Photo courtesy of Scott Smith, Imagesmith Photo)

Durango: An Emerging Tech Scene

Could Durango become the Silicon Valley of the Mountain West?

Roger Zalneraitis and Lisa Schwantes

June of 2014 saw one of the largest business transactions in Colorado and certainly on the Western Slope. Mercury, a high-tech payment processing company located in Durango, was sold for \$1.65 billion to Vantiv Inc. Vantiv executives recognized Mercury as a prominent force known for innovative solutions for point-of-sale software applications and for its reputation in building dealer and developer partnerships. The acquisition of the Durango-based company will only reinforce Vantiv's already strong presence in the fast-growing market for integrated payment systems.

With Mercury's growth to more than 400 employees in Durango over the years, the company has brought to southwest Colorado a hint of "Silicon Valley innovation." The computer technology company has contributed to the local business environment and helped in the recent emergence of a high-tech

scene. But this high-tech scene has its own mountain west influence: one of unconventional and progressive adventure.

The casual working environment of the Pensmore Software office is evident in the "toys" strewn about the room; a couple of bikes and a paddle board are leaning up against the wall. The office's four-legged mascot, Rocco, greets visitors at the door. Pensmore, a Durango-based software development firm that specializes in mobile apps, worked with Mercury prior to the acquisition and continues a close relationship. Vice President of Marketing and Product Strategy Todd Youngblood explains the association with the local tech giant has provided a positive business climate and a good source of trained employees from which to hire. "With the likes of companies like Mercury in the area, we have found a solid creative base. We recently hired 6 new employees over the past few months and are expecting 15 to 20 more IT professionals by year's

end. We are definitely taking advantage of the pool of local talent.”


Youngblood also emphasized the importance of the office’s location in southwest Colorado. “Our goal is to empower people and companies through our integrated applications. How can we bring seven clicks of the mouse down to just one? We can only find those answers and solutions by taking risks. Durango possesses the perfect culture for the type of person we want on our team. We want the person who is an adventurer, the hiker, biker, rock climber, or kayaker. The lifestyle complements the tech industry world we live in.”

Pensmore is one of more than half-dozen tech companies that call Durango home. Another is IdeaLoop. IdeaLoop is a design and development company that specializes in an interactive web experience. Although IdeaLoops’ 15 employees are located throughout the world, the company’s co-founders both relocated to communities along the Western Slope. Robert Hanacek resides in Gunnison while Chris McCroskey makes Durango his home base. McCroskey says, “I was vacationing in the four corners and found it very attractive. I called the mayor and asked if I could take him to breakfast to find out more about the area. I knew it didn’t matter where I was geographically; with today’s technology I can live wherever I like. I wanted to be in a place with a milder climate, a place a bit slower paced and one with an outdoor lifestyle.”

McCroskey believes Durango is poised for business tech expansion. “We could be on the verge of a boom. With Mercury being sold, more small startup companies will discover this region and consider relocating here. It could be very similar to what happened in the 1990s when Dell ‘blew up’ in Austin. Small startups got their start by working with that larger corporation. We’ll especially experience this growth once we accomplish advancements in the local infrastructure here.”

The La Plata County Economic Development Alliance intends to address those needs. The organization represents more than 100 private businesses and government partners whose mission is to help build a healthy economy through economic diversification and job growth. The Alliance recently announced its top goals for the next five years. Among the objectives are improved airport services and a lofty order of high-speed internet for every rooftop in La Plata County. Brad Tafoya, a Durango CPA and Alliance Board Chairman, says these goals are good for business and especially good for high-tech commerce. “I was recently under deadline for a client. Working around the clock, I found myself needing to take care of business at my home. I realized the importance of having excellent internet service at every possible location in the county, including the valley where I live.” Tafoya noted that La Plata County is in the top 1% of all counties in the United States for home-based workers, many of whom are remote high-tech workers like McCroskey. “Total internet coverage makes sense for

these home-based workers. Business owners and their employees can be more productive as well. In today’s business world, many call their homes their workplace, too.”

High-tech companies and remote workers interested in trying Durango out can explore a co-working experience at DurangoSpace, a “shared” office outfitted with the amenities of technology, meeting rooms, and a small kitchen. Private individual work space is also available throughout the county; small office spaces are located in or near downtown or large offices in the Durango Tech Center, a light industrial park. To find out more about moving your business to Durango, contact the Alliance at 970-259-1700 or visit www.yeslpc.com. To find out more about high-tech firms that call Durango home, visit <http://yeslpc.com/key-industries-la-plata-county/>. 

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CEO of Mercury, Matt Taylor, welcomes guests to the grand opening of the firm’s new headquarters in Durango on May 30.

(Photo courtesy of Scott Smith, Imagesmith Photo)

Mesa County: Outdoor Industry Manufacturing

Innovative designs and dynamic manufacturing in the Grand Valley

Steve Jozefczyk

Located on the Western Slope of the Colorado Rockies and bordering Utah, Mesa County is isolated from other population centers by mountain passes and open ranges. Mesa County sits at the confluence of the Colorado and Gunnison Rivers, is home to the sandstone towers of the Colorado National Monument, and hosts some of the finest single-track mountain biking trails in the country. This geography attracts the adventure-seeking crowd, as well as outdoor industry businesses.

Mesa County is home to several outdoor-oriented businesses, and this number is slowly growing. Businesses range from high-end bicycle component manufacturers, such as Mountain Racing Products and DT Swiss, to the innovative outdoor clothing manufacturer, Loki. The unique and rapidly growing business of Bonsai Designs installs and maintains adventure programs that include tree canopy tours, zip lines, and climbing towers. This diversity in company profiles mirrors the diversity in Mesa County's geography and options for outdoor pursuits.

The outdoor industry manufacturer with one of the longest legacies in the Grand Valley is

Leitner-Poma of America (LPOA). LPOA is a North American subsidiary of Pomagalski S.A., a corporation with headquarters in Voreppe, France, and Leitner Technologies, a corporation with headquarters in Sterzing, Italy. LPOA engineers, manufactures, installs, and services all types of ropeway systems for the ski industry, amusement parks, and urban transport.

LPOA came to Colorado in the early 1950s under the name of Pomalift, Inc. and has maintained a continuous presence in the United States for almost 50 years. Early LPOA chairlifts were installed at Squaw Valley, California, for the 1960 Winter Olympics. LPOA also supplied lifts for the Olympic Winter Games at Sarajevo, Yugoslavia, in 1984; at Albertville, France, in 1992; and at Lillehammer, Norway, in 1994.

In 1981, LPOA was established with a factory and offices in Grand Junction, Colorado, in order to have a stronger manufacturing, sales, and service base in North America and Canada. The Western Slope of Colorado was selected for geographic advantages in serving the important ski area markets in the Rocky Mountain area, as well as Utah, Nevada, California, and the Northwest. The qualified labor force of 75 employees and the mild climate made Grand Junction an appropriate home for LPOA. From 1984 to 1989 its detachable mechanisms were designed and manufactured in France. Since 1989 all LPOA detachables have been designed and manufactured in the 90,000-square-foot manufacturing facility in Grand Junction; the labor force grows to more than 120 employees during high production times.

LPOA has always been focused on growth and diversity. Since 2000, LPOA has been expanding its operations by acquiring companies from other high-tech industries ranging from wind turbines to snow grooming. In 2003, Leitner made use of the synergies available from ropeway and wind power engineering to develop the LEITWIND wind turbine in which the Leitner direct drive is employed for the generator. Prinoth is another company that is now part of the LPOA family. Prinoth offers the world's most complete range of snow groomers of the highest quality and are the best-selling groomers worldwide.

LPOA is mostly known for its manufacture of gondolas and chair lifts, but specialty projects continue to drive business and keep their project portfolio



Photo courtesy of Kevin Decker




Photo courtesy of Leitner-Poma of America, Inc.

interesting. An example includes the completion of the world's tallest observation wheel in Las Vegas. The High Roller Observation Wheel is 550 feet tall, contains 28 spherical cabins, and can carry a total of 1,120 people.

Miami International Airport will see the installation of a new cable traction train branded as a MiniMetro. LPOA won a contract to start construction of the first MiniMetro line to be completed at the beginning of 2016, and installation of a second MiniMetro line will begin in early 2017. Each line is 1,230 feet long and comprises 2 cabins that will transport 12,000 passengers per hour and more than 30 million passengers annually.

LPOA finds most of its projects landing within North America, with the majority in the United States followed by Canada. The company performs projects in Mexico, as well as servicing Australia and New Zealand. The Western Slope of Colorado provides LPOA of America with geographical advantages for shipping and servicing products. Bud Haupt, chief financial officer at LPOA, said "the opportunity is the increased markets for our product as there are more and more applications for our energy efficient, high quality, and lower cost product compared to alternatives." As new applications are discovered, chances are that LPOA will be there with a new product and solution.

Mesa County is fortunate to have so many dynamic manufacturers within its boundaries and this number is projected to grow. Outreach efforts are

being made by Mesa County's local economic development partners who are committed to diversifying the local economy by developing outdoor industry jobs. Mesa County's natural assets and recreational amenities have a positive effect on the local quality of life and facilitate the activities of the outdoor manufacturers, as well as provide appropriate testing grounds for their products. 

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Photo courtesy of Shauna Lamansky

Economic Diversification in Ski Town USA

Jane Blackstone

In the early 1900s, skiing through the light, fluffy snow in Steamboat Springs was a form of transportation to and from school, or an after-work adventure for ranchers and miners.

Today, the Yampa Valley professional is likely to grab a few powder turns in the morning at the Steamboat Ski Resort before heading to the office and jumping on a call to the other side of the world.

Routt County is a place where outdoor recreation meets industry, where tourism meets entrepreneurship, and where visitors turn into locals. Deeply grounded in its western roots, the area retains its agricultural,

mining, and tourism heritage as it diversifies to include new industries and location-neutral businesses.

Visitors flock to the area year-round to experience the outdoor lifestyle of the Rocky Mountain West. The same lifestyle that draws in visitors is pulling more and more professionals to make the move permanently, bringing their work with them.

Economic Overview

Routt County's economy is becoming more diverse. The top three industry sectors by number of jobs are Retail Trade, Accommodations, and Construction, accounting for 35% of the county's jobs. This is down from a level of 45% prior to 2009, largely due

Routt County Outdoor Product Manufacturers

Big Agnes—tents, sleeping bags and sleeping pads
 Honey Stinger—honey-based energy food products
 SmartWool—merino wool apparel
 Point Six—merino wool apparel
 Moots—high-performance titanium bicycle frames/components
 Kent Eriksen Cycles—high-end bicycles
 Cogma Bikewear—biking apparel

Hala Gear—stand up paddleboards
 Creek Company—fishing float tubes
 Hog Island Boatworks—drift boats
 Boa Technology—closure systems for recreational footwear and medical supplies
 Spiffy Dog—dog collars and pet accessories
 TALON Grips—nonslip gun grips
 PowerICE—frozen hydrating ice bars for sports and medical uses

to the decline in Construction employment as a result of the Great Recession. The top three sectors by income are Retail Trade, Health Care, and Construction, accounting for 30% of employment income, down from a pre-recession level of 45%.

The county's Tourism Sector is recovering from the recession and is becoming a stronger year-round industry. Steamboat Springs' sales tax collections in the summer months reached 10-year highs in 2014.

Owned by Intrawest, the Steamboat Ski Resort is among the top destination ski resorts in North America. With nonstop air service to the nearby Yampa Valley Regional Airport, Steamboat is accessible from 11 major U.S. airports, with connecting service from hundreds of other domestic and international cities. Accommodations and sales tax revenues administered by a local marketing district subsidize the direct flights.

With a supporting bed base of almost 20,000 pillows and more than 100 restaurants, the surrounding community supports year-round tourism driven by the Steamboat Ski Resort, as well as a broad range of winter and summer activities and events. The list includes snowmobiling, cross-county skiing, hiking, biking, fishing, hunting, tubing, the century-old Winter Carnival, the Steamboat Springs Pro Rodeo Series, and cultural draws such as the Strings Music Festival.

Photo courtesy of Corey Kapischke



Emerging Sectors

In addition to the firmly established Tourism, Real Estate/Construction, Health Care, Mining/Energy, and Agricultural sectors, Routt County has an emerging outdoor manufacturing sector. The area's lifestyle and entrepreneurial culture also attracts location-neutral businesses in multiple sectors.

Outdoor Manufacturing

With a natural product testing ground right outside their doors, a growing number of outdoor gear manufacturers call Steamboat home. Outdoor companies expand and stay in large part because of the community's outdoor lifestyle, good schools, and educated workforce. SmartWool CEO Mark Satkiewicz, quoted in a recent *Steamboat Pilot* article, sums it up: "We make mountain products, so where better to be situated than in the mountains? It's a fantastic community for our employees to live in. The right individuals come to us because they want to have a career and live the life they want to."

Location-Neutral Businesses


In 2002, Routt County saw an interesting increase in Labor Source Household Income that did not square with what known industry sectors were capable of producing. U.S. Census work at home data also showed a big jump between 2000 and 2009—the same timeframe that high-speed internet became available



Photo courtesy of Aryeh Copa

in the more developed parts of the county. Location-neutral businesses and employees were coming to the area, drawn by lifestyle, and were able to work remotely. This emerging workforce "sector" is employed in multiple industries and derives its income largely from sources outside the local economy. Steamboat-based Pinnacle Economic Research Group estimates that location-neutral business employment accounted for approximately \$59 million of 2012 wage income, slightly less than the \$63 million generated by the Arts, Entertainment and Recreation, and Accommodations and Food Services sectors.

Outlook

In Routt County, the outlook is bright as Tourism becomes a stronger year-round industry and emerging sectors continue to diversify the local economy. The mountain lifestyle that attracts visitors from all over the world is also attracting businesspeople with a passion for strong community ties and work-life balance. Though the Yampa Valley has come a long way from its ranching and mining roots, its economy still draws on the best of that western heritage as it looks to the future. 

Jane Blackstone is the Economic Development Director of the Steamboat Chamber Resort Association. More information is available at www.steamboatbiz.com.

Extraction in Western Colorado— What’s it Really Worth?

Katelin Cook

You can't deny it—there is big business in natural resources. The extraction industry that produces coal, natural gas, and oil are ever present in Western Colorado, playing a huge role in not only local economies, but also the national economy. Rio Blanco County, bordered by Utah on the west, Moffat County to the north, and Garfield County to the south, is rich in natural resources, agriculture, and recreational opportunities. The county comprises 3,228 square miles of land, with federal agencies managing approximately 75% of these lands. A top economic driver of Rio Blanco County is the extraction industry, hosting two coal mines and multiple oil and natural gas production and processing facilities. The July 2014 report *Oil and Gas Operations – Updated Economic Assessment of Colorado Oil and Gas Industry in 2013* produced by the CU Leeds School of Business indicates that most oil and natural gas production in Colorado occurs in five counties (Garfield, La Plata, Montezuma, Rio Blanco, and Weld). Four of those counties are located on Colorado's Western Slope. According to the Colorado Oil

and Gas Commission, a total of 4.6 million barrels of oil, 74.1 million MCFs of natural gas, and 4.2 million tons of coal were produced by operators doing business in Rio Blanco County in 2013.

Operators in this industry positively impact communities in which they operate. Take a look at rural towns of Western Colorado. In those with oil, natural gas, and coal companies, the level of community support these companies provide goes above and beyond tax payments. They fund capital and infrastructure expansion projects, community buildings, youth programs, business development initiatives, and more. These companies provide a large number of high-wage jobs, and in rural areas these employment opportunities are heavily sought after. They provide revenue to local businesses, and their property taxes result in large payments to local government. Rio Blanco County Assessor data indicate that in 2013 the county's top 10 taxpayers—all energy companies—made up 80% of the total county assessed value, funding government operations and special taxing districts. Energy companies pay Federal Mineral Lease and Severance Tax payments, which are administered by the Colorado



Photo courtesy of WPX Energy

Department of Local Affairs, and offer grant funding for needed community projects, fund Colorado schools, and more. Rio Blanco County was recently awarded several grants to begin construction of community buildings, install necessary water and sanitation infrastructure to produce “shovel-ready” business sites and provide service to a new medical facility, and repair county roads that are heavily utilized by energy operations.


As with any industry, there are challenges faced by local municipalities, county governments, and business operators. At the government level, elected officials are constantly working to diversify the community’s economic base, minimizing the energy “boom and bust” economic cycles and lessening the impact of economic downturns. Additionally, officials prepare their communities for the next influx and ultimately the out-migration of transient workers to ensure housing, services, and educational facilities are available while balancing fiscal responsibilities. They know that once production decreases and employees leave, the strain on community infrastructure lessens but the community is still funding advancements that were needed. In order to create the most “business friendly” environment, officials are continually reviewing local regulations and building relationships with producers while protecting the environment.

Uncertainty is the only certainty of the extraction industry. Market prices, regulations, and workforce issues are at the top of most production companies’ list of struggles. Operators and business owners are continually facing federal, state, and local regulations that are difficult and time consuming to navigate. Processing times for permits can take several months at the federal level, making it difficult to continue or expand production.

Another struggle operators deal with are various land use regulations (LURs) that vary from county to county. The LUR is the driving document for development and use of lands within each county. It contains process requirements and development standards; operators must conduct business differently in each county to comply with the differing LURs. Additionally, as production in other states grows, the workforce and support businesses also follow suit. Many businesses and qualified workers have left western Colorado to work in other states where more natural gas, oil drilling, and production activities are taking place.

Market pricing and existing reserves also impact this industry. When prices fall, basic economic principles come into play and production slows. Depending on upcoming winter temperatures, existing reserves could diminish; however, there is no certainty in the weather, just as there is no certainty in market prices.

Operators are continually modifying their operational plans and drilling actions, trying to stay one step ahead of uncertainty.

How can local governments take advantage of the economic impact the extraction industry can provide? Rio Blanco County requires permits for oil and gas facilities, but has recently taken measures to streamline the process, avoid redundancy, and shorten turnaround time. The county is in the process of rewriting its LUR; the finished product will be easier to navigate and interpret. Energy operators have been key players in collaborating with county officials to develop the oil and gas section that they will need to comply with. Rio Blanco County’s priority is to process appropriate permits administratively, with the intent of speeding up approval time and increasing predictability for energy companies and the development community as a whole. 

Katelin Cook is the Economic Development Coordinator for Rio Blanco County. She may be contacted at katelin@rbc.us or 970-878-9474.

Coal Mining in Colorado—What Does the Future Hold?

Stuart Sanderson

Since 1864 Colorado has been producing coal. The Centennial State became a top coal producer nearly 150 years later, following the passage of Clean Air Act legislation in the early 1990s, as utilities in the East and Midwest increased purchases of Colorado's clean, high-quality coal to blend with higher sulfur coals to meet the new emissions standards.

Colorado producers sell the bulk of their product on the export markets within the United States and abroad, which account for nearly 66% of sales. Colorado coal is sold to Europe, South America, China, and many other nations within the developed and developing world that seek to grow their economies as the United States has done, through access to clean, reliable, and affordable energy.

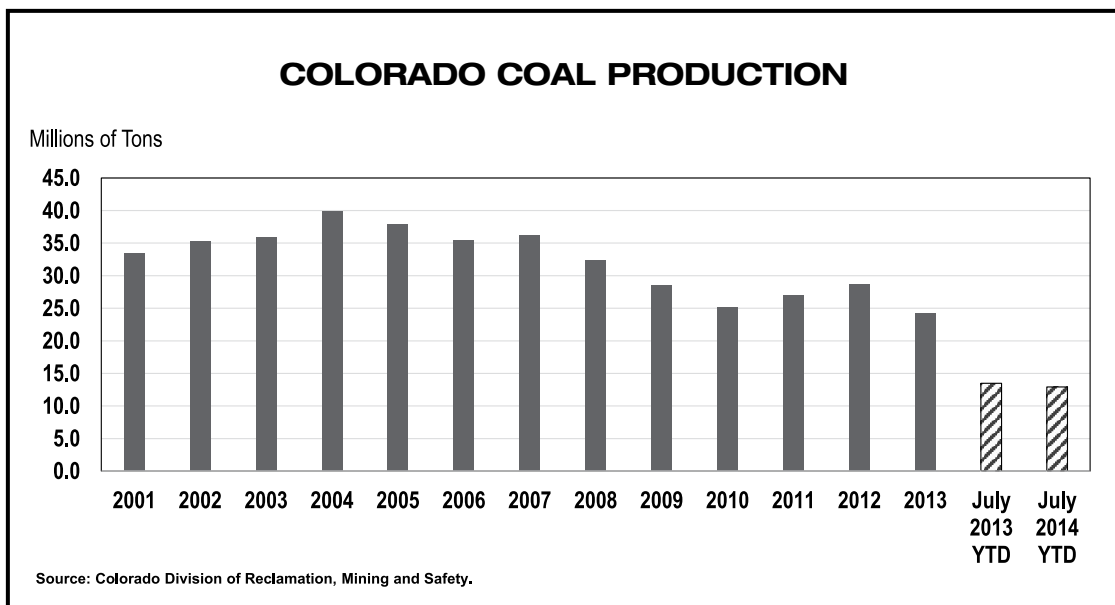
That explains why coal is the fastest-growing major source of electricity worldwide. Some are predicting that coal will even surpass oil as the top energy source within the next few years. Even advanced economies such as Germany, for example, are investing in coal infrastructure in part to offset costs associated with renewable energy. Colorado could benefit from this trend as it sells about 16% of its product outside the United States.

Although coal use for electricity generation has tripled in the United States since the 1970s, emissions

of criteria pollutants have declined substantially due, in part, to the use of low sulfur coal from Colorado and the West. The United States has 27% of the world's coal reserves, and coal plays a substantial role in providing a constant source of reliable, affordable energy to consumers. Coal accounts for 64% of Colorado's electricity and has helped keep electricity rates at or below the national average.

That's the good news. Colorado coal producers face many challenges. Higher transportation costs have caused Colorado shippers to lose market share to other fuels produced closer to markets east of the Mississippi. Delays in moving coal over Colorado's mountainous terrain and through the Moffat Tunnel are perennial challenges that were complicated by last winter's weather-related delays and competition from other commodities on the limited rail network.

Of utmost concern, however, is the role of government in engineering weakness in market demand through legislation, litigation, and regulations designed to drive coal out of the energy mix, both in Colorado and nationwide. Bowie Resources Partners recently announced its intention to cut production by 33% and to lay off 150 workers (about 42% of its workforce) at its Bowie No. 2 Mine near Paonia, a decision stemming from the cancellation of a contract to supply coal to a Tennessee Valley Authority (TVA) power plant. Environmental Protection Agency (EPA) settlements of



lawsuits brought by anti-coal groups that seek to dictate national energy policy have resulted in the closure of TVA coal plants and the retirement of numerous boiler units. These actions limit market demand for Colorado's coal.

Laws enacted in Colorado are also adversely impacting the market for Colorado coal because of direct and unprecedented intervention by the state government. Laws establishing then doubling and even tripling mandates to produce electricity from highly subsidized, high-cost renewable energy will limit the ability to market coal domestically. This includes Senate Bill 13-252, which doubled the amount of power electric cooperatives must generate from renewable sources.

In 2010, Colorado passed House Bill 10-1365 (Clean Air–Clean Jobs Act), which will prematurely retire or convert to higher-cost natural gas an additional 950 megawatts of Xcel Energy's coal generation capacity along the Front Range—an amount equal to one-third of its current generating capacity. This will ultimately result in approximately 4 million tons in lost sales annually when the last power plant closes in 2017.

It is also no surprise that Colorado coal production, which hit a high of nearly 40 million tons in 2004, has fallen almost continuously since then, with the exception of 2011 and 2012, when one mine (the Bowie Mine complex, which has since announced production cuts) resumed production following a temporary cessation. In 2013, state coal production hit a 20-year low of slightly less than 24 million tons, a 40% decline in production. Federal and state royalty payments fell by nearly 45%. Some of these royalties help fund public schools in Colorado.


EPA Clean Power Plan

The EPA proposed Clean Power Plan's new carbon standards for existing power plants will require an additional 35% cut in emissions. Contrary to the claims of some state officials, Colorado will not receive full credit for actions taken in anticipation of these new rules. In fact, the state will not receive credit for any actions taken prior to 2012. In addition, the EPA rules will generate next to nothing in reducing global emissions of carbon dioxide (EPA rules will impact less than 1% of these emissions, while carbon emissions from the developing world are expected to grow substantially).

Not all of the decline in production may be attributed to a single source; a fire at Oxbow Mining's Elk Creek Mine resulted in a cessation of operations that continues to this day. This accounted for nearly half the drop in production between 2012 and 2013. Yet adverse market conditions will likely delay

any return to active mining. Underground mining operations throughout the state account for nearly 80% of Colorado's production but involve infrastructure investments amounting to hundreds of millions of dollars. Decisions to invest in new longwall equipment and capacity require a more robust market.

In 2013, Colorado dropped out of the top 10 of coal-producing states and now ranks 11th as all but a few mines suffered production losses. Coal production through the third quarter of 2014 is up about 3% over prior-year levels, and some mines are seeing slight improvement in the export markets abroad. That is where the growth will have to occur. Colorado markets will dwindle as utilities phase out coal purchases due to power plant closures and conversions. This will impact about 4 million tons of in-state production and sales annually, or a loss of about \$100 million. Colorado coal sales in-state have already fallen by more than one-third from five years ago. The Comanche generating station is one bright spot but has been designed to burn lower BTU coals from the Powder River Basin.

Coal mining will continue here in Colorado; the question is how much will the mines produce and how many people will they employ? Colorado coal mines currently employ more than 2,000 workers who earn average wages and benefits in excess of \$116,000 annually, among the highest salaries for industrial workers. The industry generates approximately \$3 billion in contributions to Colorado's GDP and supports 24,000 jobs in Colorado's economy (based on 2012 data from the National Mining Association, the most recent year for which such data are available). Mining is also a mainstay of rural economies, and the loss of a single mine will produce ripple effects throughout the coal-producing regions of the state—in northwestern and southwestern Colorado. The industry's future hinges on many factors, including government policies impacting fuel choice. 

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Western Colorado Agriculture

Bonnie Petersen, with contributions from Les Mergelman, Debbie Kovalik, and Robbie LeValley

Since settlement began in Western Colorado, agriculture has been, and continues to be, a sustaining economic driver for the region. Massive projects creating irrigation canals and systems to grow crops were constructed using models from ancient civilizations, making agricultural production possible.

While the crops produced on the Western Slope have changed over time, the crops of today are highly valued and sought after. Olathe Sweet Corn is a national phenomenon highly coveted and sought after in late summer. The Kroger Foods chain features this crop prominently in its stores throughout the country. Palisade peaches are second to none, including the famous Georgia peaches. Given the soil conditions and just the right temperature mix in the Grand Valley, Palisade peaches have been shown to be sweeter than their Georgia counterparts and are selected as the best tasting peach in test after test. Western Colorado is home to the “Pinto Bean Capitol of the World” in Dove Creek, Colorado, where the beans grown enjoy soils with very high iron content. Other communities are well known for various agricultural products—Glenwood Springs for strawberries, Paonia for cherries,

and Cedaredge for apples. Farms, large and small, grow and provide fresh fruits and vegetables for local grocers and residents who can purchase any number of items from roadside stands that dot the landscape.

Western Colorado is home to Colorado’s Wine Country. Grapes for wine have made an impactful comeback, and the wine industry is thriving on the West Slope. The region is also home to 61 wineries, and many of the wines produced are gaining stature throughout the country. Interestingly, wine grapes are not a new crop to Western Colorado; indeed, grapevines were very prevalent in the early settlement days but when Prohibition was enacted, the grapevines were removed to make way for other fruit crops. However, the warm days and cool nights in wine country provide ideal growing conditions that cause the natural sugars to provide the unique taste our vintners turn into wine. A emerging crop on the West Slope is hops. With the explosion of small breweries across the state, hops have been in high demand, and boutique farmers have found a ready market for them.

While Western Colorado produces great fruits, vegetables, and libations, by far the largest agriculture product exported from Western Colorado is livestock. Livestock sales, representing more than 40% of all agriculture exports in the region, exceed \$350 million annually, and the cumulative economic impact is estimated at more than three times the sales. Cattle and sheep are the predominant livestock on the West Slope; however, commercial elk and buffalo operations are making an appearance in the region as well. A number of dairy operations and egg production facilities have long been located across Western Colorado.

A great deal of grass hay is needed to raise livestock and with 70% of the land in the region managed by federal agencies, private grazing range is often supplemented by grazing allocations on those public lands. CLUB 20 Chairman Les Mergelman tells the story of how early settlers were not thriving in their ranching efforts so the government sent out agents to determine why. The agents found that the arid nature of the region made it far more difficult to raise substantial numbers of livestock on the private land holdings so the government opened the lands in their trust to grazing. Livestock grazing on public lands provides numerous benefits, including food production from a nonedible crop (i.e., rangelands), wildlife habitat, and reduction of fire hazards. Ranching and grazing provide a significant buffer around many Forest Service and BLM lands, and that adds to the value of the public lands and the entire ecosystem.

Photo courtesy of Talbott Farms in Palisade, Colorado






Photo courtesy of Callie Hendrickson

Western Colorado agriculture producers face many challenges today. Finding adequate labor to harvest crops and herd livestock is difficult with outdated migrant worker laws; reform is critical to producing food and keeping it affordable. Additionally, with significant population growth both to the east and to the west, continuous supplies of water to support this industry are becoming more and more threatened. West Slope producers could find themselves as the “sacrificial lambs” of unfettered growth along and ahead of the Colorado River.

Agriculture in Western Colorado also complements another strong economic driver for the region—tourism. People come from far and wide to tour wineries and purchase products as well as to participate in celebrations like Wine Fest. They come to pick up a flat of peaches and partake in the Palisade Peach Festival and enjoy the sweet smells of lavender at the annual July festival. There are celebrations in Glenwood Springs during Strawberry Days and in Paonia during its annual Cherry Days; there is even a Corn Festival in Olathe, and rodeos all along the West Slope. The oldest Professional Rodeo Cowboys Association rodeo in the state takes place during Gunnison Cattlemen’s Days, and the nation’s longest continuous-running

Little Britches Rodeo is held in Cedaredge. A new celebration of agriculture in Western Colorado is the AAA Colorado Train to Wine Country that sails along the shiny railroad tracks from Denver to Grand Junction, where travelers enjoy and learn about Western Colorado wines and tour several wineries in the region.

Agriculture is a tremendous heritage and significant part of the culture on the West Slope. It benefits all of Colorado and is, in many ways, uniquely Western Colorado. It is an important resource to protect and enjoy. 

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OVERVIEW, CONTINUED FROM PAGE 1

As of March 2014, employment in the Western Slope remained 7.7% below its pre-recessionary peak recorded in December 2007 (282,890). However, it has recouped 32,715 jobs since the May 2011 trough (228,293). Over the last decade, Dolores County has seen the fastest employment growth, with a 10-year compound annual growth rate of 2.2%.

A unique aspect of Western Slope employment is the frequently overlooked proprietors' employment. Those who are self-employed are not counted in most employment data as the proprietors' data generally lag behind the most up-to-date employment data. Farmers and entrepreneurs are counted in self-employed data. Proprietors totaled 123,096 in the 2012 Western Slope workforce and grew at higher rate (2.3%) than wage and salary employment (1.3%) from 2011 to 2012.

Additionally, proprietors' employment accounted for 32% of total Western Slope employment in 2012, while the state reported proprietors' employment as only 26% of total statewide employment. The eastern region reported 25% proprietors' employment and 2.6% growth in the category.


The Western Slope continues to outpace the eastern part of the state in average annual pay growth. While the rest of Colorado's average annual wages increased by 2.7% year-over-year in Q1 2014, the Western Slope's average annual pay rose 3.4%. Historically, Dolores County has had the highest average annual pay growth, compounding at a rate of 15% over the last three years. The Western Slope also outperformed the rest of the state in

average weekly wages, rising 3.4% year-over-year compared to growth of 2.7% in the eastern region.

In 2013, the average annual wage of Western Slope employees was \$39,505, while average annual wage for the state was \$50,860. The industry that paid the highest annual average wage on both the Western Slope and in the state was Management of Companies and Enterprises. On the Western Slope, the majority of the employees in this sector (71%) work in firms with 250 employees or more.

Statewide annual wages totaled \$118.8 billion in 2013; the Western Slope accounted for 8.3%. Total wages on the Western Slope have grown at an annual compound growth rate of 0.6% over the last five years, while the rest of the state (excluding the Western Slope) has increased at a rate of 4.3%.

The three largest industries in terms of total wages on the Western Slope in 2013 were Government, Health Care and Social Assistance, and Construction. These industries make up 39.3% of total wages, with Government representing 19.3%. The largest component of Government wages came from local government.

In April 2014, the Western Slope accounted for 10.5% of the state's total retail sales activity. Of the Western Slope counties, Mesa County is the largest contributor to the region's retail sales, followed by Garfield and Eagle. Year-over-year retail sales on the Western Slope grew 5.1% in April 2014. 

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